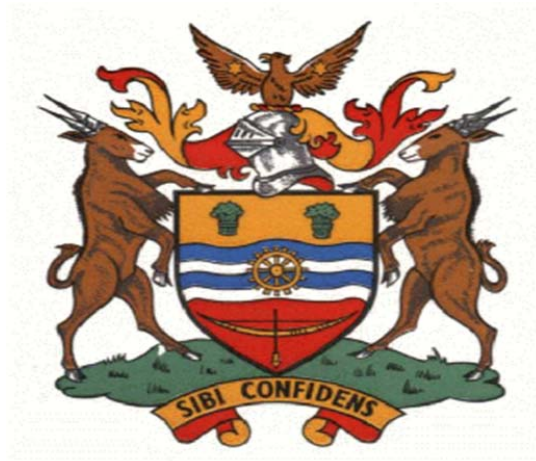


ANNUAL BUDGET OF

UMTSHEZI MUNICIPALITY



2014/15 TO 2016/17

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- All public libraries within the municipality
 - At www.umshezi.co.za

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Abbreviations and Acronyms

AMR	Automated Meter Reading	LED	Local Economic Development
ASGISA	Accelerated and Shared Growth Initiative	MEC	Member of the Executive Committee
BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CM	Municipality Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		
l	litre		

Part 1 – Annual Budget

1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2014 that although the world economy remained troubled, there were signs of improvement in that economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the uMtshezi Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2014/2015 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
 - addressing issues of financial sustainability, and
 - facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The Annual 2013/14 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the Annual budget is as follows:

Total operating income – R316,421,000

Total Operating expenditure – R335,189,000

Operating Deficit – R18,768,000

Capital Transfers –R 28,615,000

Capital Budget – R35,449,000

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, Neighbourhood Development Grant, INEP, and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of Umtshezi thus achieving a better life for all.

HIS WORSHIP THE MAYOR

COUNCILLOR B.D DLAMINI

1.2 Council Resolutions

On the 27th of March 2014 the Council of Umtshezi Municipality Local Municipality met in the Council Chambers and considered and approved the draft annual budget of the municipality for the financial year 2013/14. Council will meet on the 28th of May 2014 to consider the final approval of the MTREF for the 2014/15 financial year. It is recommended that the Council approve and adopt the following resolutions:

1. The Council of Umtshezi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
 - 1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position;

- 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Umtshezi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves:
 - 2.1. the tariffs – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure A
 - 2.3. the tariffs for solid waste services – as set out in Annexure A
3. The Council of Umtshezi Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves the tariffs for other services, as set out in Annexures A.
4. To give proper effect to the municipality's annual budget, the Council of Umtshezi Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

S21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per S68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

When drafting this budget, consideration was given to Section 18 of the MFMA which states that:

"An annual budget may only be funded from-

- a) realistically anticipated revenues to be collected;
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) borrowed funds, but only for the capital budget referred to in section 17(2)
- (2) Revenue projections in the budget must be realistic, taking into account-
- a) projected revenue for the current year based on collection levels to date; and
 - b) actual revenue collected in previous financial years."

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. This budget was drafted in conjunction with the IDP.

The draft annual budget was prepared in accordance to the National Treasury's content and format as contained in circular 66. The two concepts considered were:

- 1) that the budget must be funded according to S18 of the MFMA (as mentioned above), and
- 2) that the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality
- Is achievable in terms of agreed service delivery and performance targets
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

As mentioned above, the budget was also compiled taking into consideration the guidelines outlined in MFMA Municipal Budget Circular No 72 for the 2014/15 financial year.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/15 MTREF process; and
- Availability of affordable capital

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2014/15 MTREF

R thousand	Adjustments Budget 2013/2014	Budget year 2014/2015	Budget Year +1 2015/2016	Budget Year +2 2016/2017
Total Operating Revenue	287,854	316,421	344,654	367,405
Total Operating Expenditure	320,974	335,189	358,352	383,156
Surplus / (Deficit)	(33,119)	(18,768)	(13,698)	(15,751)
Total Capital Transfers	41,086	28,615	28,090	28,721
Contributed Assets	0	0	0	0
Surplus / (Deficit) for the year	7,967	9,847	14,392	12,970

Total operating revenue has grown by 9,92% or R28,567 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. This is mainly due to the proposed increase of 7.3% for electricity revenue. Electricity revenue for domestic consumers will increase by 7% and by 7.3% for commercial and industrial consumers.

Total operating expenditure for the 2014/15 financial year has been appropriated at R335,189 million and translates into a budgeted deficit (non-cash-flow deficit) of R18,768 million. This non-cash flow deficit is attributed to Depreciation of R37million and Provisions of R8,5million. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by 4.43 per cent in the 2014/15 budget and by 6,91 and 6,92 per cent for each of the respective outer years of the MTREF.

1.4 Operating Revenue Framework

For Umtshezi to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges and a 90 per cent collection rate for electricity revenue;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

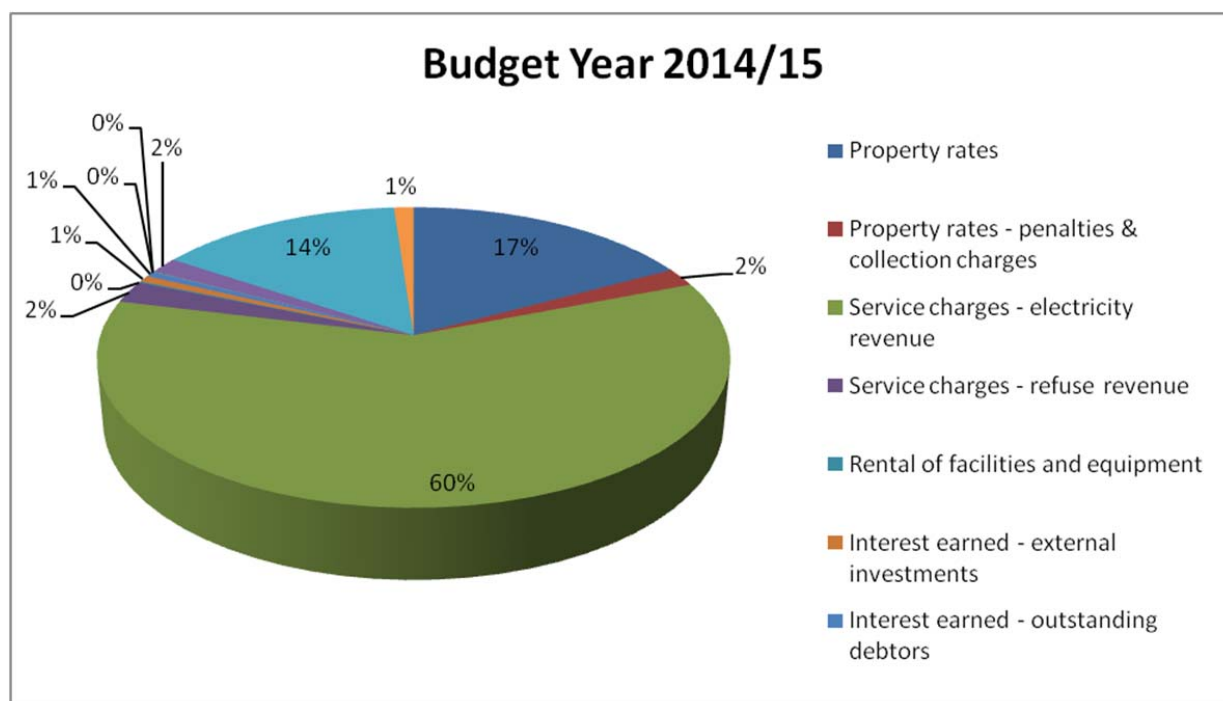
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	33,738	35,131	38,106	43,102	48,103	48,103	48,103	54,206	57,459	60,906
Property rates - penalties & collection charges		6,239	5,262	5,598	5,847	5,847	1,367	1,367	6,198	6,570	6,964
Service charges - electricity revenue	2	121,165	141,629	158,001	179,083	176,083	183,154	183,154	188,937	202,730	217,529
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	5,348	5,788	5,353	7,054	7,054	3,257	3,257	7,478	7,926	8,402
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		408	435	387	233	309	462	462	490	519	550
Interest earned - external investments		-	-	-	500	733	550	550	2,211	2,344	2,484
Interest earned - outstanding debtors		1,069	1,729	2,261	277	380	1,804	1,804	1,912	2,027	2,148
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		201	196	46	316	267	115	115	122	129	137
Licences and permits		4,239	4,687	4,705	5,132	5,814	4,655	4,655	5,440	5,767	6,113
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		24,727	30,694	36,202	39,040	39,322	40,015	40,015	45,778	55,317	58,072
Other revenue	2	2,469	3,588	2,833	2,928	3,942	3,099	3,099	3,649	3,868	4,100
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		199,604	229,140	253,494	283,514	287,854	286,581	286,581	316,421	344,654	367,405

Table 3 Percentage growth in revenue by main revenue source

Description	2014/15 Medium Term Revenue & Expenditure Framework						
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16		Budget Year +2 2016/17
Revenue By Source							
Property rates	48,103	13%	54,206	6%	57,459	6%	60,906
Property rates - penalties & collection charges	5,847	6%	6,198	6%	6,570	6%	6,964
Service charges - electricity revenue	176,083	7%	188,937	7%	202,730	7%	217,529
Service charges - refuse revenue	7,054	6%	7,478	6%	7,926	6%	8,402
Rental of facilities and equipment	309	59%	490	6%	519	6%	550
Interest earned - external investments	733	202%	2,211	6%	2,344	6%	2,484
Interest earned - outstanding debtors	380	403%	1,912	6%	2,027	6%	2,148
Fines	267	-54%	122	6%	129	6%	137
Licences and permits	5,814	-6%	5,440	6%	5,767	6%	6,113
Transfers recognised - operational	39,322	16%	45,778	21%	55,317	5%	58,072
Other revenue	3,942	-7%	3,649	6%	3,868	6%	4,100
Total Revenue (excluding capital transfers and contributions)	287,854	0	316,421	0	344,654	0	367,405

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Figure 1: Income for the 2014/15 MTREF



Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2013/14 financial year, revenue from rates and services charges is estimated to total R231 million or 80,3 per cent of total income. This increases to R250 million, R268 million and R286 million in the respective financial years of the MTREF.

Electricity revenue is the largest revenue source for the municipality. It comprises 59,7% of total operating income. It is proposed that the tariffs for electricity increase by an average 7.3% year on year in order to achieve a gross percentage that is in line with the NERSA guideline of 30%. The current gross percentage is 18,9%. This will increase to 21,9% in 2015/16 if the increases for the tariffs are on average 7.3% as proposed.

Property rates is the second largest revenue source totalling 17,1 per cent or R54 million rand of total operating revenue and increases to R60 million by 2016/17. The third largest source of income is income from operational grants that have been gazetted as per the Division of Revenue Act. These operating grants will equal R45 million for 2014/15. The other item contributing to revenue is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R45 778 million in the 2014/15 financial year and steadily increases to R58 702 million by 2016/17. Note that the year-on-year growth for the 2014/15 financial year is 16,39 per cent and 20,84 and 4,98 per cent in the two outer years. The following table gives a breakdown of the various operating grants and capital subsidies allocated to the municipality over the medium term:

Table 4 Operating and Capital Grant Receipts

DETAILS	2014/15	2015/16	2016/17
R			
CAPITAL GRANTS			
Municipal Infrastructure Grant	17,289,000.00	18,090,000.00	18,721,000.00
INEP	10,000,000.00	10,000,000.00	10,000,000.00
NDPG	1,326,000.00	0.00	0.00
TOTAL CAPITAL GRANTS	28,615,000.00	28,090,000.00	28,721,000.00
OPERATING GRANTS			
Equitable Share	36,332,000.00	46,661,000.00	52,011,000.00
Councillor and Ward Committee Allowance	2,962,000.00	3,074,000.00	
Finance management Grant	1,600,000.00	1,650,000.00	1,700,000.00
Municipal Systems Infrastructure Grant	934,000.00	967,000.00	1,018,000.00
Extended Public Works Programme	1,000,000.00	0.00	0.00
Community Participation in IDP	0.00	300,000.00	0.00
Community Library services	252,000.00	265,000.00	499,000.00
Museum	598,000.00	628,000.00	662,000.00
Provisionalisation of libraries	1,950,000.00	2,072,000.00	2,182,000.00
Infrastructure sports facility	150000	0	0
TOTAL OPERATING GRANTS	45,778,000.00	55,617,000.00	58,072,000.00
ALLOCATIONS IN KIND			
INEP	20,751,000.00	21,524,000.00	26,500,000.00
NDPG	893,000.00	345,000.00	242,000.00
TOTAL CAPITAL FUNDED	21,644,000.00	21,869,000.00	26,742,000.00

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The percentage increases of the Eskom bulk electricity tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four to five years for inclusion in the general valuation roll. There have been no major changes to the rates tariffs for 2014/15, we have only decreased the Rebate for Residential and Residential Hospitality by 6%, hence the Randages did not change. The categories of rate-able properties for the purposes of levying rates and the proposed rates for the 2014/15 financial year is contained in the table below.

Table 5 Comparison of proposed rates to be levied for the 2014/15 financial year

RATES RANDAGE

Category	Impermissible	Rebate	Current Year Randage 2013/14	Proposed Randage 2014/15
Residential	30 000	54.075%	0.018895	0.018895
Residential - Hospitality	30 000	54.075%	0.018895	0.018895
Commercial	-	As Per Table	0.03726	0.03726
Agriculture	-	20%	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.002086	0.002086
State Owned	-	-	0.03119	0.03119
Industrial	-	As Per Table	0.03637	0.03726
Public Benefit Organisation Property	-	None	0.002068	0.002068
Recreational Clubs	-	30%	0.0018895	0.018895

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	Rebate
0-1.5 million	35.660%

>1.5 million – 2.5 million	25.685%
>2.5 million – 7.5 million	29.635%
>7.5 million -10 million	23.650%
>10 million	45.121%

REBATES FOR INDUSTRIAL PROPERTIES

VALUE OF PROPERTY	REBATE
0-1 Million	17.286%
>1-2 million	18.234%
>2-5 million	45.405%
>5-36 million	41.470%
>36 million	67.692%

ADDITIONAL RELIEF

USAGE/OWNER	ADDITIONAL REBATE
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	+12.50%

1.4.2 Sale of Electricity and Impact of Tariff Increases

Considering the Eskom increases and the current gross profit percentages for the electricity business unit, the consumer tariff is proposed to be increase to result in an overall increase in electricity income of 7.3 per cent from 1 July 2014. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. This was implemented and will continue in the next few years. The effect of the inclining block tariffs is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users. The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those previously implemented by the Municipality. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the outer and inner Municipality reticulation network was designed or strengthened many years ago with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up

of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets.

1.4.3 Waste Removal and Impact of Tariff Increases

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2014.

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.9 and 9 per cent, with the increase for indigent households closer to 9 per cent. This is because indigent consumers are only billed for electricity consumption in excess of 50kWh and are exempted from rates and refuse charges.

Table 6 MBRR Table SA14 – Household bills

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		528.00	570.37	615.99	646.79	646.79	646.79	6.0%	685.60	726.73	770.34
Electricity: Basic levy						-	-				
Electricity: Consumption		1,270.00	1,562.10	1,772.98	1,932.55	1,932.55	1,932.55	7.4%	2,075.37	2,228.74	2,393.44
Water: Basic levy						-	-				
Water: Consumption						-	-				
Sanitation						-	-				
Refuse removal		60.42	64.04	67.88	71.28	71.28	71.28	6.0%	75.56	80.09	84.90
Other											
sub-total		1,858.42	2,196.51	2,456.85	2,650.62	2,650.62	2,650.62	7.0%	2,836.53	3,035.56	3,248.68
VAT on Services											
Total large household bill:		1,858.42	2,196.51	2,456.85	2,650.62	2,650.62	2,650.62	7.0%	2,836.53	3,035.56	3,248.68
% increase/decrease			18.2%	11.9%	7.9%	-	-		7.0%	7.0%	7.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		115.42	124.65	134.62	5.0%	5.0%	5.0%	6.0%	149.83	158.82	168.35
Electricity: Basic levy						0.0%	0.0%				
Electricity: Consumption		505.18	621.37	705.25	9.0%	9.0%	9.0%	7.4%	825.53	886.54	952.06
Water: Basic levy						0.0%	0.0%				
Water: Consumption						0.0%	0.0%				
Sanitation						0.0%	0.0%				
Refuse removal		60.42	64.04	67.88	5.0%	5.0%	5.0%	6.0%	75.55	80.08	84.89
Other											
sub-total		681.02	810.06	907.75	0.19	0.19	0.19	553,010.5%	1,050.91	1,125.44	1,205.30
VAT on Services											
Total small household bill:		681.02	810.06	907.75	0.19	0.19	0.19	553,010.5%	1,050.91	1,125.44	1,205.30
% increase/decrease			18.9%	12.1%	(100.0%)	-	-		553,010.5%	7.1%	7.1%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		70.55	76.19	-	-	-	-				
Electricity: Basic levy											
Electricity: Consumption		442.27	543.99	617.43	672.99	672.99	672.99	7.4%	722.72	776.13	883.48
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		-	-	-	-	-	-				
Other											
sub-total		512.82	620.18	617.43	672.99	672.99	672.99	7.4%	722.72	776.13	883.48
VAT on Services											
Total small household bill:		512.82	620.18	617.43	672.99	672.99	672.99	7.4%	722.72	776.13	883.48
% increase/decrease			20.9%	(0.4%)	9.0%	-	-		7.4%	7.4%	13.8%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan, no budget*. If there is no business plan, no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 7 Summary of operating expenditure by standard classification item

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type											
Employee related costs	2	50,789	56,391	62,101	64,015	64,019	64,019	64,019	67,946	72,294	76,921
Remuneration of councillors		3,673	4,360	4,601	5,268	5,742	4,636	4,636	5,908	6,369	6,866
Debt impairment	3	2,789	12,882	6,460	12,000	12,000	12,000	12,000	8,533	9,028	9,552
Depreciation & asset impairment	2	38,677	32,732	31,515	35,000	35,000	35,000	35,000	37,030	39,178	41,450
Finance charges		1,012	953	814	3,494	3,494	2,945	2,945	1,392	1,473	1,558
Bulk purchases	2	92,582	113,864	129,227	139,875	137,875	142,816	142,816	148,988	160,996	173,973
Other materials	8	3,142	8,152	8,961	11,428	11,429	7,933	7,933	11,856	12,544	13,271
Contracted services		2,987	3,997	11,223	8,800	10,300	10,287	10,287	10,906	11,539	12,208
Transfers and grants		21,569	25,843	1,165	7,069	7,069	7,069	7,069	8,537	8,998	9,484
Other expenditure	4, 5	19,473	23,701	27,590	26,977	34,046	34,046	34,046	34,093	35,934	37,874
Loss on disposal of PPE		33	2	845	-	-	-	-	-	-	-
Total Expenditure		236,726	282,878	284,502	313,926	320,974	320,750	320,750	335,189	358,352	383,156

The budgeted allocation for employee related costs for the 2014/15 financial year totals R67 million, which equals 20 per cent of the total operating expenditure. Circular 72 guidelines have been implemented with regards to the increase in salaries and that has been set at 6.8 percent for the 2014/15 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

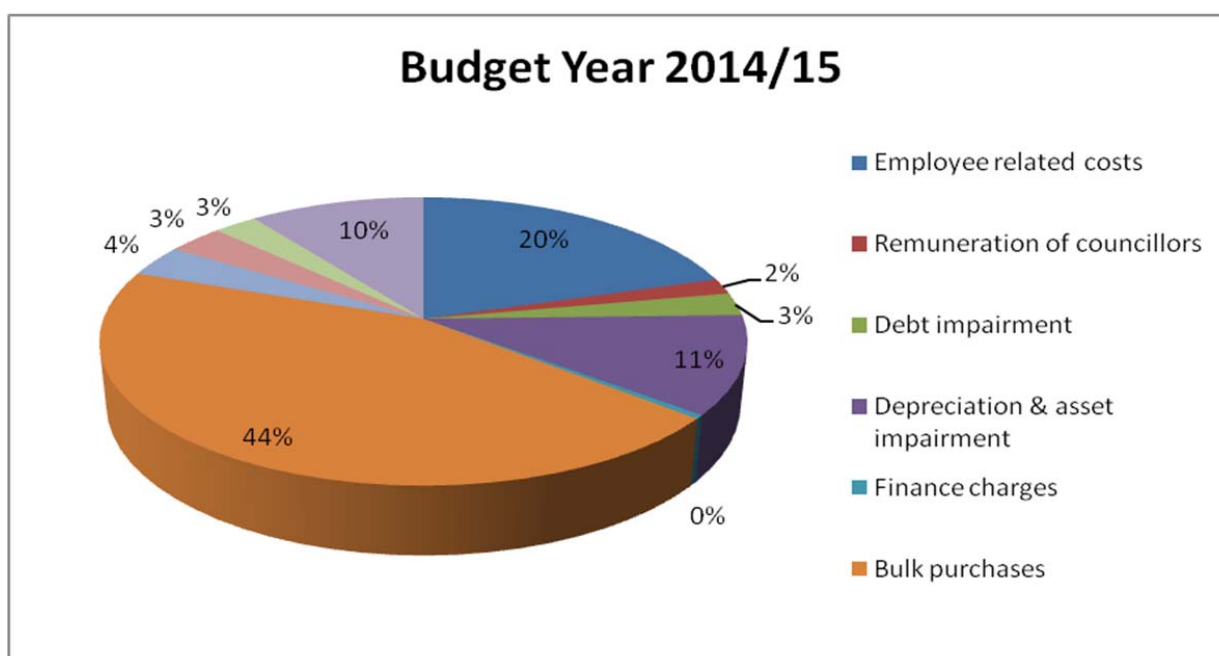
Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R37 million for the 2014/15 financial year and equates to 11.04 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase materials for maintenance. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following figure gives a breakdown of the main expenditure categories for the 2014/15 financial year.

Figure 2 Main operational expenditure categories for the 2014/15 financial year



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Table 8 Operational repairs and maintenance

	Audited	Audited	Audited	Current Year 2013/14				2013/14 Medium Term Revenue & Expenditure Framework		
Description	2009/10	2010/11	2011/12	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Repairs and Maintenance by Expenditure Item										
Employee related costs	37,882	40,272	44,458	47,621	47,621	47,621	47,621	50,930	53,985	56,685
Other materials	5,976	1,777	6,338	7,304	9,035	9,035	9,035	11,428	11,999	12,599
Contracted Services	1,245	1,365	1,800	2,500	2,500	2,500	2,500	2,625	2,756	2,894
Total Repairs and Maintenance Expenditure	45,103	43,414	52,596	57,425	59,156	59,156	59,156	64,983	68,740	72,178

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 4000 or more indigent households during the 2014/15 financial year, a process reviewed every two years. The estimates for the 2014/15 MTREF for free basic services is seen in table 7 under the heading transfers and grants and are estimated to be R8.5 million for the 2014/15 financial year. It is made up of the 50kWh free electricity and a refuse rebates given to indigent consumers as well as a rates rebates (R15,000 threshold).

1.6 Capital expenditure

Capital expenditure for the next three years is funded by capital grants, external loans and a small portion of council funding. This is due to significant constraints of council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had had on the cashflow of the municipality. The capital grants to be received are highlighted in the executive summary above.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been considered and this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

Table 9 MBRR Table A1 - Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Financial Performance										
Property rates	39,977	40,393	43,704	48,949	53,950	49,470	49,470	60,404	64,028	67,870
Service charges	126,513	147,417	163,355	186,137	183,137	186,411	186,411	196,415	210,656	225,931
Investment revenue	-	-	-	500	733	550	550	2,211	2,344	2,484
Transfers recognised - operational	24,727	30,694	36,202	39,040	39,322	40,015	40,015	45,778	55,317	58,072
Other own revenue	8,387	10,636	10,233	8,887	10,712	10,135	10,135	11,613	12,309	13,048
Total Revenue (excluding capital transfers and contributions)	199,604	229,140	253,494	283,514	287,854	286,581	286,581	316,421	344,654	367,405
Employee costs	50,789	56,391	62,101	64,015	64,019	64,019	64,019	67,946	72,294	76,921
Remuneration of councillors	3,673	4,360	4,601	5,268	5,742	4,636	4,636	5,908	6,369	6,866
Depreciation & asset impairment	38,677	32,732	31,515	35,000	35,000	35,000	35,000	37,030	39,178	41,450
Finance charges	1,012	953	814	3,494	3,494	2,945	2,945	1,392	1,473	1,558
Materials and bulk purchases	95,724	122,016	138,188	151,303	149,304	150,748	150,748	160,844	173,540	187,244
Transfers and grants	21,569	25,843	1,165	7,069	7,069	7,069	7,069	8,537	8,998	9,484
Other expenditure	25,282	40,583	46,118	47,777	56,346	56,333	56,333	53,532	56,500	59,633
Total Expenditure	236,726	282,878	284,502	313,926	320,974	320,750	320,750	335,189	358,352	383,156
Surplus/(Deficit)	(37,122)	(53,739)	(31,008)	(30,412)	(33,119)	(34,169)	(34,169)	(18,768)	(13,698)	(15,751)
Transfers recognised - capital	20,321	15,811	30,691	23,161	41,086	41,086	41,086	28,615	28,090	28,721
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Capital expenditure & funds sources										
Capital expenditure	32,385	24,459	29,875	39,671	57,596	57,596	57,596	35,499	37,558	39,737
Transfers recognised - capital	20,179	15,811	20,084	23,161	41,086	41,086	41,086	29,265	30,962	32,758
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	4,249	4,928	7,200	12,460	12,460	12,460	12,460	-	-	-
Internally generated funds	7,957	3,720	2,590	4,050	12,550	12,550	12,550	6,234	6,596	6,978
Total sources of capital funds	32,385	24,459	29,874	39,671	66,096	66,096	66,096	35,499	37,558	39,737
Financial position										
Total current assets	70,580	85,516	99,768	65,287	51,707	86,243	86,243	99,333	148,320	156,984
Total non current assets	641,681	631,847	630,631	659,686	659,686	659,686	659,686	613,246	648,815	686,446
Total current liabilities	37,402	49,405	58,603	49,466	35,886	35,886	35,886	63,565	39,269	41,547
Total non current liabilities	18,497	23,991	25,096	30,797	30,797	30,797	30,797	25,566	8,086	8,617
Community wealth/Equity	656,362	643,966	646,700	644,710	644,710	679,246	679,246	623,448	749,779	793,266
Cash flows										
Net cash from (used) operating	50,565	38,627	36,818	37,015	(1,813)	14,076	14,076	36,353	69,569	71,307
Net cash from (used) investing	(38,665)	(39,479)	(33,924)	(39,657)	(57,536)	(31,145)	(31,145)	(35,461)	(28,090)	(28,721)
Net cash from (used) financing	3,187	4,276	(2,737)	5,646	5,646	5,646	5,646	(1,329)	(1,406)	(1,487)
Cash/cash equivalents at the year end	9,942	13,366	13,523	15,482	(12,677)	29,604	29,604	29,167	69,241	110,340
Cash backing/surplus reconciliation										
Cash and investments available	15,640	35,811	41,130	16,778	2,081	29,700	29,700	30,614	32,448	34,392
Application of cash and investments	(32,932)	(14,486)	(8,125)	(18,687)	(12,604)	(42,848)	(42,848)	(4,254)	(82,177)	(86,921)
Balance - surplus (shortfall)	48,572	50,297	49,255	35,465	14,685	72,548	72,548	34,868	114,625	121,313
Asset management										
Asset register summary (WDV)	639,743	661,265	621,728	659,140	659,140	659,140	612,662	612,662	648,196	685,792
Depreciation & asset impairment	38,677	32,732	31,515	35,000	35,000	35,000	37,030	37,030	39,178	41,450
Renewal of Existing Assets	-	-	-	15,603	15,603	15,603	15,603	10,000	10,580	11,194
Repairs and Maintenance	43,414	52,596	55,752	63,695	63,695	63,695	67,389	67,389	71,298	75,433
Free services										
Cost of Free Basic Services provided	6,208	7,204	8,487	9,335	9,335	9,335	9,335	9,335	9,335	9,335
Revenue cost of free services provided	46,211	48,198	52,270	55,704	55,704	55,704	55,704	55,704	55,704	55,704
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	5	5	6	6	6	6	6	6	6	6

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF (but all efforts have been made to ensure that it is not a cash flow deficit)
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
4. The Cash backing/surplus reconciliation shows that the budget has been funded and that this situation is improving year on year resulting in increased working capital.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard										
<i>Governance and administration</i>		77,780	63,424	79,617	90,089	94,361	94,361	106,914	114,172	122,393
Executive and council		889	1,123	1,680	2,351	2,361	2,361	2,973	3,174	3,403
Budget and treasury office		76,729	62,223	77,914	87,460	91,701	91,701	103,624	110,659	118,627
Corporate services		162	78	23	278	299	299	317	339	363
<i>Community and public safety</i>		3,907	8,129	9,243	3,156	6,202	6,202	3,708	3,960	4,245
Community and social services		3,391	7,652	9,058	2,544	5,497	5,497	2,956	3,157	3,384
Sport and recreation		315	66	28	104	132	132	131	140	150
Public safety		201	411	157	508	573	573	620	662	710
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		11,797	22,664	27,557	20,293	21,851	21,851	23,658	25,264	27,084
Planning and development		-	7,270	7,263	-	-	-	-	-	-
Road transport		11,797	15,394	20,293	20,293	21,851	21,851	23,658	25,264	27,084
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		126,441	150,734	167,767	193,137	197,989	205,253	210,755	229,348	242,404
Electricity		122,343	147,965	162,414	187,083	190,874	198,138	203,276	221,361	233,842
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4,098	2,769	5,353	6,054	7,115	7,115	7,479	7,987	8,562
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	219,925	244,951	284,185	306,675	320,403	327,667	345,036	372,744	396,126
Expenditure - Standard										
<i>Governance and administration</i>		36,036	55,217	79,410	72,042	76,612	76,612	82,386	88,105	94,229
Executive and council		10,266	12,522	16,529	6,617	19,309	19,309	20,510	21,933	23,458
Budget and treasury office		19,774	36,728	56,747	56,623	47,512	47,512	51,460	55,032	58,858
Corporate services		5,996	5,967	6,134	8,802	9,791	9,791	10,416	11,139	11,913
<i>Community and public safety</i>		19,726	32,241	35,695	40,039	33,214	37,371	33,451	38,364	43,189
Community and social services		10,318	21,068	24,845	27,911	19,653	23,810	21,632	23,939	27,206
Sport and recreation		4,615	5,645	4,891	5,876	5,016	5,016	4,372	6,461	7,465
Public safety		4,793	5,528	5,960	6,252	8,545	8,545	7,447	7,964	8,517
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		15,743	30,022	23,481	35,412	38,000	38,000	38,842	41,537	44,424
Planning and development		6,654	7,313	8,632	7,332	14,033	14,033	13,232	14,151	15,134
Road transport		9,089	22,709	14,849	28,080	23,967	23,967	25,610	27,387	29,290
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		165,207	165,029	145,682	166,096	164,038	168,195	179,947	189,745	200,672
Electricity		160,777	160,694	141,932	161,477	158,048	162,205	174,709	184,143	194,681
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4,430	4,335	3,750	4,619	5,990	5,990	5,238	5,602	5,991
<i>Other</i>	4	14	369	234	338	572	572	562	601	643
Total Expenditure - Standard	3	236,726	282,878	284,502	313,926	312,436	320,750	335,189	358,352	383,156
Surplus/(Deficit) for the year		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	9,847	14,392	12,970

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Electricity function. As already noted above, the municipality will be undertaking a detailed study of this function to

explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Governance and Administration.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - CORPORATE SERVICES		5,559	7,323	7,745	10,703	11,704	11,704	12,406	13,248	14,202
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		76,729	62,223	77,914	87,460	91,701	91,701	103,624	110,659	118,627
Vote 4 - CIVIL SERVICES		7,558	10,784	15,588	15,161	15,837	15,837	18,006	19,228	20,613
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		7,736	16,656	20,523	6,268	10,287	10,287	7,724	8,248	8,842
Vote 6 - ELECTRICAL SERVICES		122,343	147,965	162,414	187,083	190,874	198,138	203,276	221,361	233,842
Total Revenue by Vote	2	219,925	244,951	284,185	306,675	320,403	327,667	345,036	372,744	396,126
Expenditure by Vote to be appropriated	1									
Vote 1 - CORPORATE SERVICES		23,057	25,894	29,155	23,537	38,772	38,772	41,500	44,379	47,463
Vote 2 - MUNICIPAL MANAGER		1,002	1,048	1,549	1,349	1,418	1,418	1,513	1,618	1,731
Vote 3 - FINANCE DEPARTMENT		19,774	36,728	56,747	56,623	47,512	47,512	51,460	55,032	58,858
Vote 4 - CIVIL SERVICES		7,813	20,695	12,705	25,966	21,486	21,486	22,964	24,557	26,264
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		24,303	37,819	42,414	44,975	45,200	49,357	43,043	48,621	54,159
Vote 6 - ELECTRICAL SERVICES		160,777	160,694	141,932	161,477	158,048	162,205	174,709	184,143	194,681
Total Expenditure by Vote	2	236,726	282,878	284,502	313,926	312,436	320,750	335,189	358,352	383,156
Surplus/(Deficit) for the year	2	(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	9,847	14,392	12,970

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	33,738	35,131	38,106	43,102	48,103	48,103	48,103	54,206	57,459	60,906
Property rates - penalties & collection charges		6,239	5,262	5,598	5,847	5,847	1,367	1,367	6,198	6,570	6,964
Service charges - electricity revenue	2	121,165	141,629	158,001	179,083	176,083	183,154	183,154	188,937	202,730	217,529
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	5,348	5,788	5,353	7,054	7,054	3,257	3,257	7,478	7,926	8,402
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		408	435	387	233	309	462	462	490	519	550
Interest earned - external investments		-	-	-	500	733	550	550	2,211	2,344	2,484
Interest earned - outstanding debtors		1,069	1,729	2,261	277	380	1,804	1,804	1,912	2,027	2,148
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		201	196	46	316	267	115	115	122	129	137
Licences and permits		4,239	4,687	4,705	5,132	5,814	4,655	4,655	5,440	5,767	6,113
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		24,727	30,694	36,202	39,040	39,322	40,015	40,015	45,778	55,317	58,072
Other revenue	2	2,469	3,588	2,833	2,928	3,942	3,099	3,099	3,649	3,868	4,100
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		199,604	229,140	253,494	283,514	287,854	286,581	286,581	316,421	344,654	367,405
Expenditure By Type											
Employee related costs	2	50,789	56,391	62,101	64,015	64,019	64,019	64,019	67,946	72,294	76,921
Remuneration of councillors		3,673	4,360	4,601	5,268	5,742	4,636	4,636	5,908	6,369	6,866
Debt impairment	3	2,789	12,882	6,460	12,000	12,000	12,000	12,000	8,533	9,028	9,552
Depreciation & asset impairment	2	38,677	32,732	31,515	35,000	35,000	35,000	35,000	37,030	39,178	41,450
Finance charges		1,012	953	814	3,494	3,494	2,945	2,945	1,392	1,473	1,558
Bulk purchases	2	92,582	113,864	129,227	139,875	137,875	142,816	142,816	148,988	160,996	173,973
Other materials	8	3,142	8,152	8,961	11,428	11,429	7,933	7,933	11,856	12,544	13,271
Contracted services		2,987	3,997	11,223	8,800	10,300	10,287	10,287	10,906	11,539	12,208
Transfers and grants		21,569	25,843	1,165	7,069	7,069	7,069	7,069	8,537	8,998	9,484
Other expenditure	4, 5	19,473	23,701	27,590	26,977	34,046	34,046	34,046	34,093	35,934	37,874
Loss on disposal of PPE		33	2	845	-	-	-	-	-	-	-
Total Expenditure		236,726	282,878	284,502	313,926	320,974	320,750	320,750	335,189	358,352	383,156
Surplus/(Deficit)											
Transfers recognised - capital		20,321	15,811	30,691	23,161	41,086	41,086	41,086	28,615	28,090	28,721
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R316,421 million in 2014/15 and escalates to R344,654 million by 2015/16. This represents a year-on-year increase of 9.92 percent for the 2014/15 financial year and 8.92 percent for the 2015/16 financial year.
2. Revenue to be generated from property rates is R54 million in the 2014/15 financial year and increases to R60 million by 2016/17 which represents 11.11 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent for 2014/15 and 6% for each of the respective outer financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R196 million for the 2014/15

financial year and increasing to R225 million by 2016/17. For the 2014/15 financial year services charges amount to 62 percent of the total revenue. This growth can mainly be attributed to the increase in the bulk prices of electricity.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
5. Bulk purchases have significantly increased over the 2010/11 to 2016/17 period escalating from R92 million to R173 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Single-year expenditure to be appropriated	2										
Vote 1 - CORPORATE SERVICES		953	814	273	498	575	575	575	1,475	1,560	1,651
Vote 2 - MUNICIPAL MANAGER		-	3	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		335	50	-	55	70	70	70	158	167	177
Vote 4 - CIVIL SERVICES		9,528	8,279	28,722	25,307	25,607	25,607	25,607	18,061	19,108	20,217
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		18,794	10,857	879	3,511	5,421	5,421	5,421	3,406	3,604	3,813
Vote 6 - ELECTRICAL SERVICES		2,775	4,456	-	10,300	20,500	20,500	20,500	12,400	13,119	13,880
Capital single-year expenditure sub-total		32,385	24,459	29,874	39,671	52,173	52,173	52,173	35,499	37,558	39,737
Total Capital Expenditure - Vote		32,385	24,459	29,874	39,671	52,173	52,173	52,173	35,499	37,558	39,737
Capital Expenditure - Standard											
Governance and administration		1,288	774	273	553	553	553	553	1,633	1,727	1,827
Executive and council		-	-	-	498	498	498	498	-	-	-
Budget and treasury office		335	50	-	55	55	55	55	158	167	177
Corporate services		953	724	273	-	-	-	-	1,475	1,560	1,651
Community and public safety		4,692	4,692	649	-	1,725	1,725	1,725	3,406	3,604	3,813
Community and social services		-	4,682	649	-	-	-	-	3,406	3,604	3,813
Sport and recreation		72	-	-	-	1,725	1,725	1,725	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		4,620	-	-	-	-	-	-	-	-	-
Health		-	10	-	-	-	-	-	-	-	-
Economic and environmental services		22,055	12,447	28,953	28,818	34,818	34,818	34,818	18,061	19,108	20,217
Planning and development		12,526	4,168	230	3,511	3,511	3,511	3,511	-	-	-
Road transport		9,529	8,279	28,722	25,307	31,307	31,307	31,307	18,061	19,108	20,217
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		4,350	6,546	-	10,300	20,500	20,500	20,500	12,400	13,119	13,880
Electricity		2,775	6,456	-	10,300	20,500	20,500	20,500	12,400	13,119	13,880
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		1,575	90	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	32,385	24,459	29,875	39,671	57,596	57,596	57,596	35,499	37,558	39,737
Funded by:											
National Government		-	-	10,209	23,161	27,361	27,361	27,361	28,715	30,380	32,143
Provincial Government		20,179	15,811	9,875	-	13,725	13,725	13,725	550	582	616
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	20,179	15,811	20,084	23,161	41,086	41,086	41,086	29,265	30,962	32,758
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	4,249	4,928	7,200	12,460	12,460	12,460	12,460	-	-	-
Internally generated funds		7,957	3,720	2,590	4,050	12,550	12,550	12,550	6,234	6,596	6,978
Total Capital Funding	7	32,385	24,459	29,874	39,671	66,096	66,096	66,096	35,499	37,558	39,737

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. No multi-year appropriations have been budgeted for.
3. Single-year capital expenditure has been appropriated at R35 million for the 2014/15 financial year and remains relatively constant over the MTREF at levels of R37 million and R39 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and

specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from capital and provincial grants and transfers and external borrowings. For 2014/15, capital transfers totals R28,615 million.

Table 14 MBRR Table A6 - Budgeted Financial Position

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS											
Current assets											
Cash		9,942	13,366	13,523	15,482	1,565	14,210	14,210	1,409	1,491	1,577
Call investment deposits	1	5,599	22,347	27,503	1,200	420	15,394	15,394	29,205	30,957	32,815
Consumer debtors	1	45,501	36,235	43,112	47,929	47,929	47,929	47,929	49,868	95,927	101,491
Other debtors		8,781	12,833	13,588	305	305	7,222	7,222	17,277	18,279	19,339
Current portion of long-term receivables		222	184	555	-	-	-	-	-	-	-
Inventory	2	534	550	1,488	371	1,488	1,488	1,488	1,574	1,666	1,762
Total current assets		70,580	85,516	99,768	65,287	51,707	86,243	86,243	99,333	148,320	156,984
Non current assets											
Long-term receivables		1,421	722	555	450	450	450	450	584	618	654
Investments		98	98	103	96	96	96	96	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	637,711	629,613	621,290	659,140	659,140	659,140	659,140	612,662	648,196	685,792
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		170	186	438	-	-	-	-	-	-	-
Other non-current assets		2,281	1,228	8,245	-	-	-	-	-	-	-
Total non current assets		641,681	631,847	630,631	659,686	659,686	659,686	659,686	613,246	648,815	686,446
TOTAL ASSETS		712,261	717,363	730,399	724,973	711,393	745,929	745,929	712,579	797,134	843,430
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	1,764	1,825	534	8,615	8,615	8,615	8,615	1,329	1,406	1,487
Consumer deposits		2,398	2,620	2,845	2,650	2,650	2,650	2,650	3,036	3,212	3,398
Trade and other payables	4	23,683	36,460	47,976	27,596	14,016	14,016	14,016	41,278	15,689	16,599
Provisions		9,557	8,500	7,249	10,605	10,605	10,605	10,605	17,923	18,962	20,062
Total current liabilities		37,402	49,405	58,603	49,466	35,886	35,886	35,886	63,565	39,269	41,547
Non current liabilities											
Borrowing		8,135	12,350	9,974	30,797	30,797	30,797	30,797	7,643	8,086	8,617
Provisions		10,362	11,641	15,122	-	-	-	-	17,923	-	-
Total non current liabilities		18,497	23,991	25,096	30,797	30,797	30,797	30,797	25,566	8,086	8,617
TOTAL LIABILITIES		55,899	73,396	83,699	80,263	66,683	66,683	66,683	89,131	47,355	50,164
NET ASSETS	5	656,362	643,966	646,700	644,710	644,710	679,246	679,246	623,448	749,779	793,266
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		655,267	642,871	645,605	643,615	643,615	678,151	678,151	622,353	748,620	792,040
Reserves	4	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,159	1,226
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	656,362	643,966	646,700	644,710	644,710	679,246	679,246	623,448	749,779	793,266

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 14 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		177,739	203,053	212,917	231,943	198,611	251,604	251,604	240,837	284,967	304,700
Government - operating	1	24,727	30,327	34,159	39,040	39,322	40,015	40,015	45,778	55,317	58,072
Government - capital	1	20,322	29,830	35,030	23,161	26,425	28,124	28,124	28,615	28,090	28,721
Interest		1,069	1,729	2,261	777	733	550	550	2,211	2,344	2,484
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(172,280)	(225,358)	(246,735)	(254,412)	(263,410)	(303,272)	(303,272)	(279,696)	(299,675)	(321,112)
Finance charges		(1,012)	(953)	(814)	(3,494)	(3,494)	(2,945)	(2,945)	(1,392)	(1,473)	(1,558)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		50,565	38,627	36,818	37,015	(1,813)	14,076	14,076	36,353	69,569	71,307
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	252	1,072	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	352	60	60	-	-	134	-	-
Decrease (increase) other non-current receivables		(837)	1,552	(310)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(5,443)	(16,746)	(5,162)	(46)	-	-	-	(96)	-	-
Payments											
Capital assets		(32,385)	(24,537)	(29,875)	(39,671)	(57,596)	(31,145)	(31,145)	(35,499)	(28,090)	(28,721)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(38,665)	(39,479)	(33,924)	(39,657)	(57,536)	(31,145)	(31,145)	(35,461)	(28,090)	(28,721)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	(864)	-	-	-	-	-	-	-
Borrowing long term/refinancing		4,248	5,040	(1,873)	12,460	12,460	12,460	12,460	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(1,061)	(764)	-	(6,814)	(6,814)	(6,814)	(6,814)	(1,329)	(1,406)	(1,487)
NET CASH FROM/(USED) FINANCING ACTIVITIES		3,187	4,276	(2,737)	5,646	5,646	5,646	5,646	(1,329)	(1,406)	(1,487)
NET INCREASE/ (DECREASE) IN CASH HELD		15,088	3,424	157	3,004	(53,703)	(11,423)	(11,423)	(436)	40,074	41,099
Cash/cash equivalents at the year begin:	2	(5,146)	9,942	13,366	12,478	41,026	41,026	41,026	29,604	29,167	69,241
Cash/cash equivalents at the year end:	2	9,942	13,366	13,523	15,482	(12,677)	29,604	29,604	29,167	69,241	110,340

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	9,942	13,366	13,523	15,482	(12,677)	29,604	29,604	29,167	69,241	110,340
Other current investments > 90 days		5,600	22,347	27,503	1,200	14,662	0	0	1,447	(36,793)	(75,948)
Non current assets - Investments	1	98	98	103	96	96	96	96	-	-	-
Cash and investments available:		15,640	35,811	41,130	16,778	2,081	29,700	29,700	30,614	32,448	34,392
Application of cash and investments											
Unspent conditional transfers		2,393	16,045	16,841	-	-	-	-	26,449	-	-
Unspent borrowing		-	-	-	-	12,400	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(35,325)	(30,530)	(24,966)	(18,687)	(25,004)	(42,848)	(42,848)	(45,938)	(98,324)	(104,035)
Other provisions		-	-	-	-	-	-	-	14,140,000	14,988,400	15,887,704
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	1,095,000	1,159,000	1,226,000
Total Application of cash and investments:		(32,932)	(14,486)	(8,125)	(18,687)	(12,604)	(42,848)	(42,848)	(4,254)	(82,177)	(86,921)
Surplus(shortfall)		48,572	50,297	49,255	35,465	14,685	72,548	72,548	34,868	114,625	121,313

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality have increase significantly over the 2010/11 to 2013/14 period. This trend continues for the 2014/15 to 2016/17 financial years.
4. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals R36 million as at the end of the 2014/15 financial year and escalates to R117 million by 2016/17.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the proposed 2014/15 MTREF was sufficiently funded owing to the increased reserves.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget was funded and aligned to section 18 of the MFMA.

Table 16B MBRR Table A9 – Consolidated Asset Management

Description	Ref	2010/ 11	2011/ 12	2012/ 13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audit ed Outco me	Audit ed Outco me	Audit ed Outco me	Origi nal Budg et	Adjus ted Budg et	Full Year Forec ast	Budg et Year 2014 /15	Budg et Year +1 2015 /16	Budg et Year +2 2016 /17
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	32,38 5	39,11 1	29,87 4	24,0 68	34,29 5	34,29 5	25,49 9	26,97 8	28,54 3
<i>Infrastructure - Road transport</i>		9,529	8,279	28,72	9,70	9,704	9,704	18,06	19,10	20,21

				2	4			1	8	7
Infrastructure - Electricity		2,775	10,456	–	10,300	20,500	20,500	2,400	2,539	2,686
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		12,304	18,735	28,722	20,004	30,204	30,204	20,461	21,648	22,903
Community		13,319	5,128	–	3,661	3,688	3,688	3,406	3,604	3,813
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		4,620	13,682	–	–	–	–	–	–	–
Other assets	6	1,972	1,566	1,152	403	403	403	1,633	1,727	1,827
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		170	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	–	–	–	15,603	15,603	15,603	10,000	10,580	11,194
Infrastructure - Road transport		–	–	–	15,603	15,603	15,603	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	10,000	10,580	11,194
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	15,6	15,60	15,60	10,00	10,58	11,19

					03	3	3	0	0	4
Community	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4									
<i>Infrastructure - Road transport</i>		9,529	8,279	28,722	25,307	25,307	25,307	18,061	19,108	20,217
<i>Infrastructure - Electricity</i>		2,775	10,456	-	10,300	20,500	20,500	12,400	13,119	13,880
<i>Infrastructure - Water</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>		-	-	-	-	-	-	-	-	-
Infrastructure		12,304	18,735	28,722	35,607	45,807	45,807	30,461	32,228	34,097
Community		13,319	5,128	-	3,661	3,688	3,688	3,406	3,604	3,813
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		4,620	13,682	-	-	-	-	-	-	-
Other assets		1,972	1,566	1,152	403	403	403	1,633	1,727	1,827
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-

Intangibles		170	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	32,385	39,111	29,874	39,671	49,898	49,898	35,499	37,558	39,737
ASSET REGISTER SUMMARY - PPE (WDV)	5									
<i>Infrastructure - Road transport</i>		221,110	229,389	186,387	249,744	249,744	249,744	183,799	194,459	205,738
<i>Infrastructure - Electricity</i>		57,848	68,304	55,916	83,138	83,138	83,138	55,140	58,338	61,721
<i>Infrastructure - Water</i>								–	–	–
<i>Infrastructure - Sanitation</i>		200						–	–	–
<i>Infrastructure - Other</i>		9,322	20,142	43,490	20,417	20,417	20,417	42,886	45,374	48,005
Infrastructure		288,480	317,835	285,793	353,299	353,299	353,299	281,824	298,170	315,464
Community		13,319	22,517	18,639	22,381	22,381	22,381	18,380	19,446	20,574
Heritage assets										
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		337,774	320,727	316,858	283,460	283,460	283,460	312,458	330,580	349,754
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		170	186	438	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	639,743	661,265	621,728	659,140	659,140	659,140	612,662	648,196	685,792
EXPENDITURE OTHER ITEMS										

<u>Depreciation & asset impairment</u>		38,677	32,732	31,515	35,000	35,000	35,000	37,030	39,178	41,450
<u>Repairs and Maintenance by Asset Class</u>	3	43,414	52,596	55,752	63,695	63,695	63,695	67,389	71,298	75,433
<i>Infrastructure - Road transport</i>		10,355	12,904	13,678	7,499	7,499	7,499	7,934	8,394	8,881
<i>Infrastructure - Electricity</i>		11,025	12,188	12,919	5,298	5,298	5,298	5,605	5,930	6,274
<i>Infrastructure - Water</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Other</i>		203	–	–	–	–	–	–	–	–
Infrastructure		21,583	25,092	26,598	12,797	12,797	12,797	13,539	14,325	15,155
Community		10,545	11,727	12,431	1,034	1,034	1,034	1,094	1,157	1,225
Heritage assets		8,963	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	2,323	15,777	16,724	49,864	49,864	49,864	52,756	55,816	59,053
TOTAL EXPENDITURE OTHER ITEMS		82,091	85,328	87,267	98,695	98,695	98,695	104,419	110,476	116,883
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	39.3%	31.3%	31.3%	28.2%	28.2%	28.2%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	44.6%	44.6%	44.6%	27.0%	27.0%	27.0%
<i>R&M as a % of PPE</i>		6.8%	8.4%	9.0%	9.7%	9.7%	9.7%	11.0%	11.0%	11.0%
<i>Renewal and R&M as a % of PPE</i>		7.0%	8.0%	9.0%	12.0%	12.0%	12.0%	13.0%	13.0%	13.0%

Table 16C MBRR Table A10 – Consolidated Basic Service Delivery Measurement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets	1									
<u>Water:</u>										
<u>Energy:</u>										
Electricity (at least min.service level)		5,000	5,000	5,000	5,500	5,500	5,500	6,050	6,655	7,321
Electricity - prepaid (min.service level)		8,000	8,000	8,000	8,500	8,500	8,500	9,350	10,285	11,313
<i>Minimum Service Level and Above sub-total</i>		13,000	13,000	13,000	14,000	14,000	14,000	15,400	16,940	18,634
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	13,000	13,000	13,000	14,000	14,000	14,000	15,400	16,940	18,634
<u>Refuse:</u>										
Removed at least once a week		8,000	8,000	8,000	8,500	8,500	8,500	9,350	10,285	11,313
<i>Minimum Service Level and Above sub-total</i>		8,000	8,000	8,000	8,500	8,500	8,500	9,350	10,285	11,313
Removed less frequently than once a week										
Using communal refuse dump		5,000	5,000	5,000	5,500	5,500	5,500	6,050	6,655	7,321
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		5,000	5,000	5,000	5,500	5,500	5,500	6,050	6,655	7,321
Total number of households	5	13,000	13,000	13,000	14,000	14,000	14,000	15,400	16,940	18,634
<u>Households receiving Free Basic Service</u>	7									
Electricity/other energy (50kwh per household per month)		5,000	5,000	5,000	5,500	5,500	5,500	6,050	6,655	7,321
Refuse (removed at least once a week)		5,000	5,000	5,000	5,500	5,500	5,500	6,050	6,655	7,321
<u>Cost of Free Basic Services provided (R'000)</u>	8									
Electricity/other energy (50kwh per household per month)		2,866	3,670	4,514	5,636	5,636	5,636	6,199	6,819	7,502

Refuse (removed once a week)		2,014	2,538	2,690	2,851	2,851	3,136	3,449	3,795
Total cost of FBS provided (minimum social package)		4,880	6,208	7,204	8,487	8,487	9,335	10,268	11,297
Highest level of free service provided									
Property rates (R value threshold)		–	30,000	300,000	30,000	30,000	30,000	30,000	30,000
Water (kilolitres per household per month)									
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50
Refuse (average litres per week)		250,000	250,000	250,000	275,000	275,000	302,500	332,750	366,025
Revenue cost of free services provided (R'000)	9								
Property rates (R15 000 threshold rebate)		11,617	12,388	13,379	14,182	14,182	15,600	17,160	18,876
Property rates (other exemptions, reductions and rebates)		11,291	27,615	27,615	29,601	29,601	31,081	32,635	34,266
Water									
Sanitation									
Electricity/other energy		2,866	3,670	4,514	5,636	5,636	6,030	6,453	6,904
Refuse		2,014	2,538	2,690	2,851	2,851	2,993	3,143	3,300
Municipal Housing - rental rebates									
Housing - top structure subsidies	6								
Other									
Total revenue cost of free services provided (total social package)		27,788	46,211	48,198	52,270	52,270	55,704	59,391	63,346

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

1.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2013. Key dates applicable to the process were:

- **August 2013** – Joint strategic planning session with Council and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/15 MTREF;
- **November 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2014** - Council considers the 2013/14 Mid-year Review
- **20 February 2014** – Council considers Adjustments Budget 2013/2014;
- **27 March 2014** - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- **April 2014** – Public consultation;
- **16 May 2014** - Closing date for written comments;
- **30 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

The following processes were achieved by the following dates:

- November 2013 – Draft budget proposals were requested from the departments
- 21 January 2014 – Mid Year Report was tabled in Council
- 27 February 2014 – Adjustments budget tabled and approved by Council
- 27 March 2014 – Draft 2014/15 MTREF tabled and approved by Council
- 16 April 2014 to 07 May 2014 – Public Consultation on budget
- 20 May 2014 – Closing date of written comments
- 28 May 2014 – Tabling of the 2014/15 MTREF before Council for consideration and approval.

1.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 58, 59 and 66 has been taken into consideration in the planning and prioritisation process.

1.1.4 Community Consultation

Public meetings were held to obtain comments from the public on the following dates:

18 March 2014 – Forderville Hall	05H30pm
19 March 2014 – Estcourt Town Hall	05H30pm
02 May 2014 – Mshayazafe Hall	02H00pm
02 May 2014 – Wembezi A Park	10H00am

The community did not satisfactory attend the consultations, which lead to the postponement of the consultations.

1.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the Municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 19 IDP Strategic Objectives

2013/14 Financial Year	2014/15 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capaMunicipality to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide Municipality planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure that the Municipality achieves set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and

strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process.

Table 20 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Budget Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Revenue Enhancement Strategies	Collection of Property Rates			39,978	40,795	38,106	43,102	48,103	48,103	54,206	57,459	60,906
Revenue Enhancement Strategies	Billing and Collection Of Service charges			126,513	149,276	163,355	186,137	183,137	186,411	196,415	210,656	225,931
Financial Management	Transfers Recognised			45,048	59,310	66,893	62,201	80,408	81,101	74,393	83,407	86,793
Revenue Enhancement Strategies	Other Own Revenue			8,386	7,315	15,831	15,235	17,292	12,052	20,022	21,223	22,496
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contribution)			1	219,925	256,696	284,185	306,675	328,940	327,667	345,036	372,744	396,126

Table 21 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	rent Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Human Resources Development	Employment of Staff			50,340	56,157	62,101	64,015	64,019	64,019	67,946	72,294	76,921
Community Awareness	Remunerate Council			3,673	4,691	4,601	5,268	5,742	4,636	5,908	6,369	6,866
Asset Management	Debt and asset impairment			38,677	31,686	6,460	35,000	12,000	12,000	8,533	9,028	9,552
Debt Management	Finance Charges			1,012	2,050	814	3,494	3,494	2,945	1,392	1,473	1,558
Expenditure Control	Payment of bulk purchases of electricity			95,724	121,948	129,227	139,875	137,875	142,816	148,988	160,996	173,973
Expenditure Control	Payment of general expenses			25,731	48,334	81,299	59,206	90,774	87,266	93,885	99,299	104,914
Expenditure Control	Free basic service-indigent support						7,069	7,069	7,069	8,537	8,998	9,484
Total Expenditure			1	215,157	264,866	284,502	313,927	320,973	320,751	335,189	358,457	383,267

Table 22 MBRR Table SA6 – Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	rent Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Basic Services Delivery - access to electricity	Provide access to electricity	A		2,775	10,456	7,791	10,300	14,975	14,975	12,400	13,119	13,880
Basic Services Delivery - access to roads	Provide access to roads	B		9,528	8,279	13,618	12,847	18,431	18,431	18,061	19,108	20,217
Basic Services Delivery - access to housing	Provide housing in the Kwezi Hostel area	C		-	(20,000)	-	-	-	-	-	-	-
Local Economic Development	Economic growth and poverty alleviation	D		18,794	7,600	1,542	4,064	5,760	5,760	-	-	-
Municipal Transformation and Institutional Development	Purchase of equipment	E		1,288	32,776	6,923	12,460	13,007	13,007	5,038	5,331	5,640
Total Capital Expenditure			1	32,385	39,111	29,874	39,671	52,173	52,173	35,498	37,559	39,737

1.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

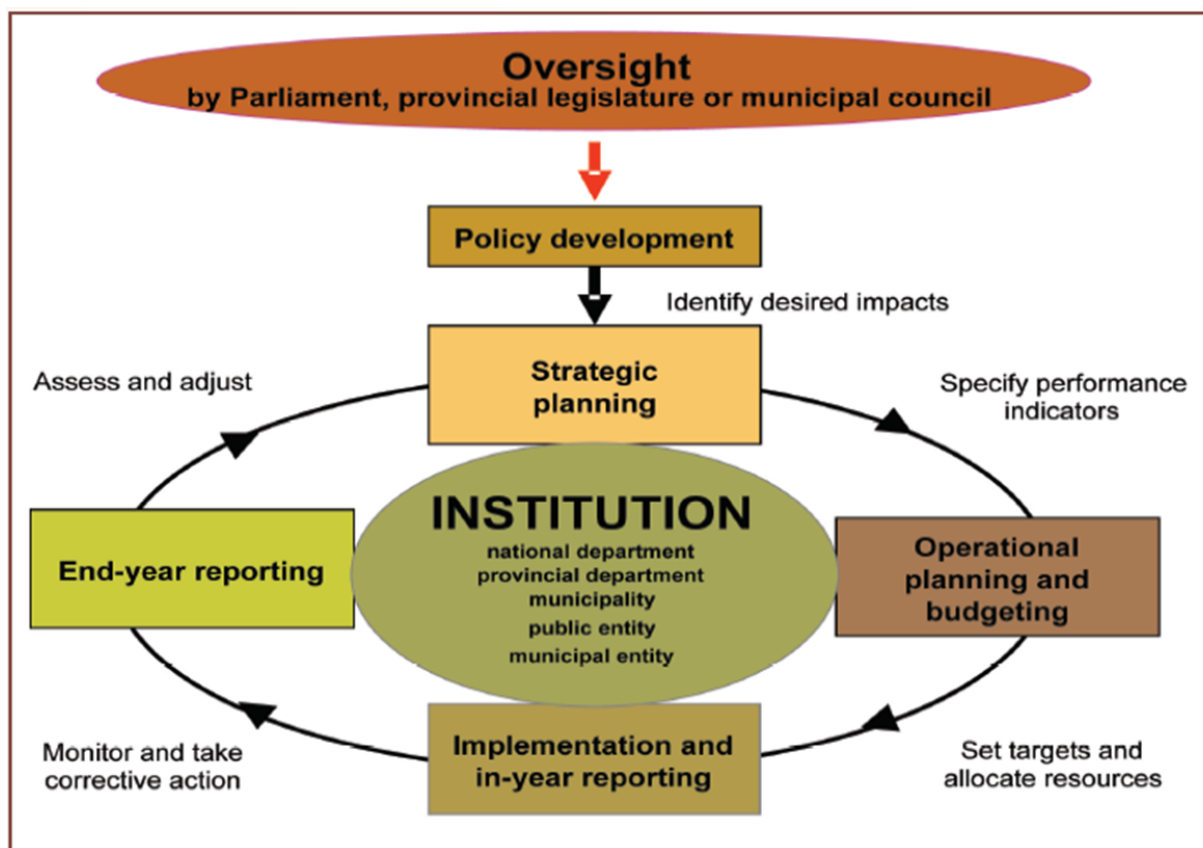


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury.

Table 23 MBRR Table SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	rent Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.9%	0.6%	0.3%	3.3%	3.2%	3.0%	3.0%	0.8%	0.8%	0.8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.2%	0.9%	0.4%	4.2%	4.1%	4.0%	4.0%	1.0%	1.0%	1.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	34.8%	58.3%	-28.0%	75.5%	112.4%	112.4%	112.4%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	742.9%	1127.9%	910.7%	2812.5%	2812.5%	2812.5%	2812.5%	698.0%	698.0%	703.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.9	1.7	1.7	1.3	1.4	2.4	2.4	1.6	3.8	3.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.9	1.7	1.7	1.3	1.4	2.4	2.4	1.6	3.8	3.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.7	0.7	0.3	0.1	0.8	0.8	0.5	0.8	0.8
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		101.2%	103.1%	98.0%	95.1%	80.2%	102.3%	102.3%	89.8%	99.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		101.6%	102.3%	98.0%	95.1%	80.1%	102.3%	102.3%	89.7%	99.3%	99.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	28.0%	21.8%	22.8%	17.2%	16.9%	19.4%	19.4%	21.4%	33.3%	33.1%
Creditors to Cash and Investments		214.1%	152.7%	230.2%	178.2%	-110.6%	47.3%	47.3%	50.8%	22.7%	15.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.4%	24.6%	24.5%	22.6%	22.2%	22.3%	22.3%	21.5%	21.0%	20.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	27.1%	26.6%	26.3%	24.4%	24.0%	24.1%		23.3%	22.8%	22.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	21.8%	23.0%	22.0%	22.5%	22.1%	22.2%		21.3%	20.7%	20.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	19.9%	14.7%	12.8%	13.6%	13.4%	13.2%	13.2%	12.1%	11.8%	11.7%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	70.1	87.8	28.6	32.4	32.4	32.4	69.6	72.2	72.9	77.9
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for	32.7%	26.2%	27.6%	20.5%	20.3%	23.3%	23.3%	26.1%	41.5%	41.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.7	0.8	0.7	0.8	(0.6)	1.4	1.4	1.3	3.0	4.4

1.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.4.1 Review of credit control and debt collection procedures/policies

The Debt Collection Policy as approved by Council has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

1.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2012. No further amendments have been made to the policy.

1.4.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the

legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was last reviewed by Council in May 2012 in respect of both Operating and Capital Budget Fund Transfers. No changes have been made to this policy.

1.4.5 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was reviewed by Council in May 2012. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

1.5 Overview of budget assumptions

1.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

1.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing

arrangements to minimise its interest rate costs and risk. However, the 2014/15 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

1.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (90 per cent) of annual billings. Cash flow is assumed to be 90 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. In other words, the operating expenditure will be funded from current operating income revenue realistically received. Arrear debt will not be relied upon to fund operating expenditure.

1.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.5.6 Salary increases

Salary increases were budgeted at 6.8%. The overall increase was 7.5% due to the fact that cell phone allowances would now be afforded to staff members who require the use of cell phones to effectively perform their duties.

1.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

1.6 Overview of budget funding

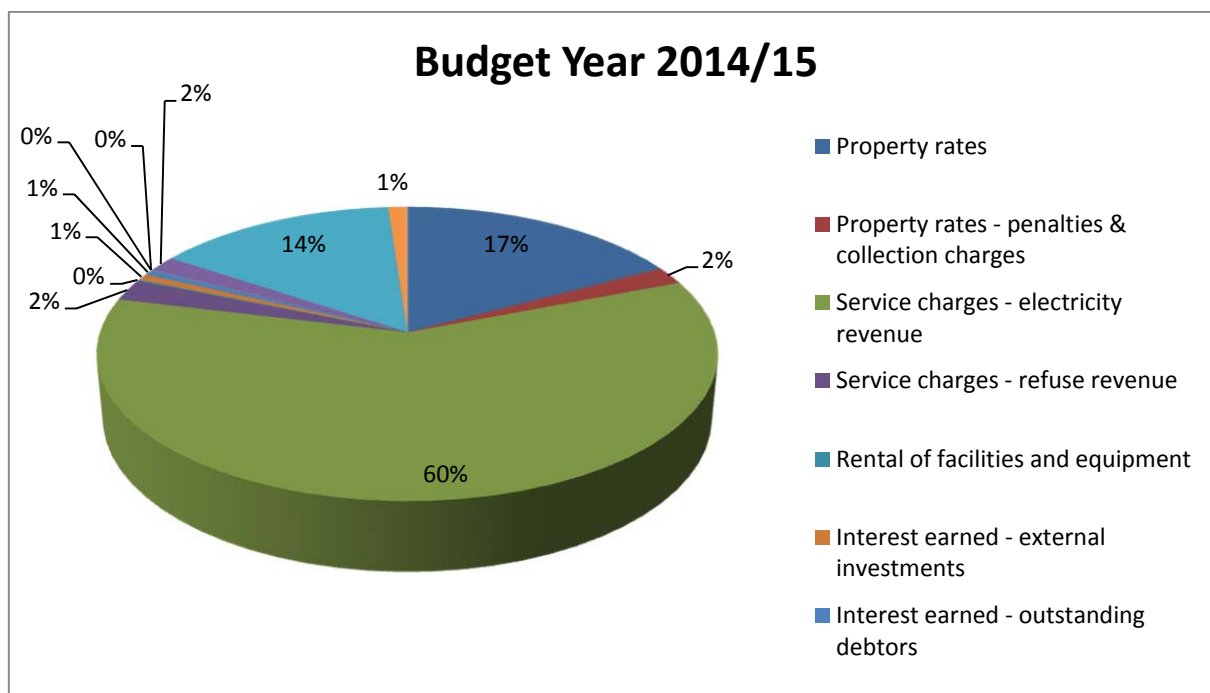
1.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 248 Breakdown of the operating revenue over the medium-term

Description	2014/15 Medium Term Revenue & Expenditure Framework		
	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand			
Revenue By Source			
Property rates	54,206	57,459	60,906
Property rates - penalties & collection charges	6,198	6,570	6,964
Service charges - electricity revenue	188,937	202,730	217,529
Service charges - water revenue	-	-	-
Service charges - sanitation revenue	-	-	-
Service charges - refuse revenue	7,478	7,926	8,402
Service charges - other	-	-	-
Rental of facilities and equipment	490	519	550
Interest earned - external investments	2,211	2,344	2,484
Interest earned - outstanding debtors	1,912	2,027	2,148
Dividends received	-	-	-
Fines	122	129	137
Licences and permits	5,440	5,767	6,113
Agency services	-	-	-
Transfers recognised - operational	45,778	55,317	58,072
Other revenue	3,649	3,868	4,100
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	316,421	344,654	367,405

The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year.

Figure 2 Breakdown of operating revenue over the 2014/15 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal as well as property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 25: Proposed Tariff Increases for the 2014/15 MTREF

Description	Percentage
Electricity	Average 7.3%
Refuse	6%
Other	6%

1.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 26 MBRR Table A7 – Budget cash flow statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		177,739	203,053	212,917	231,943	198,611	251,604	251,604	240,837	284,967	304,700
Government - operating	1	24,727	30,327	34,159	39,040	39,322	40,015	40,015	45,778	55,317	58,072
Government - capital	1	20,322	29,830	35,030	23,161	26,425	28,124	28,124	28,615	28,090	28,721
Interest		1,069	1,729	2,261	777	733	550	550	2,211	2,344	2,484
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(172,280)	(225,358)	(246,735)	(254,412)	(263,410)	(303,272)	(303,272)	(279,696)	(299,675)	(321,112)
Finance charges		(1,012)	(953)	(814)	(3,494)	(3,494)	(2,945)	(2,945)	(1,392)	(1,473)	(1,558)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		50,565	38,627	36,818	37,015	(1,813)	14,076	14,076	36,353	69,569	71,307
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	252	1,072	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	352	60	60	-	-	134	-	-
Decrease (Increase) other non-current receivables		(837)	1,552	(310)	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		(5,443)	(16,746)	(5,162)	(46)	-	-	-	(96)	-	-
Payments											
Capital assets		(32,385)	(24,537)	(29,875)	(39,671)	(57,596)	(31,145)	(31,145)	(35,499)	(28,090)	(28,721)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(38,665)	(39,479)	(33,924)	(39,657)	(57,536)	(31,145)	(31,145)	(35,461)	(28,090)	(28,721)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	(864)	-	-	-	-	-	-	-
Borrowing long term/refinancing		4,248	5,040	(1,873)	12,460	12,460	12,460	12,460	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(1,061)	(764)	-	(6,814)	(6,814)	(6,814)	(6,814)	(1,329)	(1,406)	(1,487)
NET CASH FROM/(USED) FINANCING ACTIVITIES		3,187	4,276	(2,737)	5,646	5,646	5,646	5,646	(1,329)	(1,406)	(1,487)
NET INCREASE/ (DECREASE) IN CASH HELD		15,088	3,424	157	3,004	(53,703)	(11,423)	(11,423)	(436)	40,074	41,099
Cash/cash equivalents at the year begin:	2	(5,146)	9,942	13,366	12,478	41,026	41,026	41,026	29,604	29,167	69,241
Cash/cash equivalents at the year end:	2	9,942	13,366	13,523	15,482	(12,677)	29,604	29,604	29,167	69,241	110,340

1.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 27 MBRR Table A8 – Cash backed reserves / accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	9,942	13,366	13,523	15,482	(12,677)	29,604	29,604	29,167	69,241	110,340
Other current investments > 90 days		5,600	22,347	27,503	1,200	14,662	0	0	1,447	(36,793)	(75,948)
Non current assets - Investments	1	98	98	103	96	96	96	96	-	-	-
Cash and investments available:		15,640	35,811	41,130	16,778	2,081	29,700	29,700	30,614	32,448	34,392
Application of cash and investments											
Unspent conditional transfers		2,393	16,045	16,841	-	-	-	-	26,449	-	-
Unspent borrowing		-	-	-	-	12,400	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(35,325)	(30,530)	(24,966)	(18,687)	(25,004)	(42,848)	(42,848)	(45,938)	(98,324)	(104,035)
Other provisions		-	-	-	-	-	-	-	14,140,000	14,988,400	15,887,704
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	1,095,000	1,159,000	1,226,000
Total Application of cash and investments:		(32,932)	(14,486)	(8,125)	(18,687)	(12,604)	(42,848)	(42,848)	(4,254)	(82,177)	(86,921)
Surplus(shortfall)		48,572	50,297	49,255	35,465	14,685	72,548	72,548	34,868	114,625	121,313

1.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 28 MBRR Table SA10 – Funding compliance measurement

Description	Ref	2010/11	2011/12	2012/13	rent Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Energy:										
Electricity (at least min.service level)		5,000	5,000	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Electricity - prepaid (min.service level)		8,000	8,000	8,500	9,350	9,350	9,350	9,350	9,350	9,350
<i>Minimum Service Level and Above sub-total</i>		13,000	13,000	14,000	15,400	15,400	15,400	15,400	15,400	15,400
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	13,000	13,000	14,000	15,400	15,400	15,400	15,400	15,400	15,400
Refuse:										
Removed at least once a week		8,000	8,000	8,500	9,350	9,350	9,350	9,350	9,350	9,350
<i>Minimum Service Level and Above sub-total</i>		8,000	8,000	8,500	9,350	9,350	9,350	9,350	9,350	9,350
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		5,000	5,000	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		5,000	5,000	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Total number of households	5	13,000	13,000	14,000	15,400	15,400	15,400	15,400	15,400	15,400
Households receiving Free Basic Service										
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		5,000	5,000	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Refuse (removed at least once a week)		5,000	5,000	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Cost of Free Basic Services provided (R'000)	8	-	-	-	-	-	-	-	-	-
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		3,670	4,514	5,636	6,199	6,199	6,199	6,199	6,199	6,199
Refuse (removed once a week)		2,538	2,690	2,851	3,136	3,136	3,136	3,136	3,136	3,136
Total cost of FBS provided (minimum social package)		6,208	7,204	8,487	9,335	9,335	9,335	9,335	9,335	9,335
Highest level of free service provided										
Property rates (R value threshold)		30,000	300,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Water (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		250,000	250,000	275,000	302,500	302,500	302,500	302,500	302,500	302,500
Revenue cost of free services provided (R'000)										
Property rates (R15 000 threshold rebate)		12,388	13,379	14,182	15,600	15,600	15,600	15,600	15,600	15,600
Property rates (other exemptions, reductions and rebates)		27,615	27,615	29,601	31,081	31,081	31,081	31,081	31,081	31,081
Water		-	-	-	-	-	-	-	-	-
Sanitation		-	-	-	-	-	-	-	-	-
Electricity/other energy		3,670	4,514	5,636	6,030	6,030	6,030	6,030	6,030	6,030
Refuse		2,538	2,690	2,851	2,993	2,993	2,993	2,993	2,993	2,993
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)		46,211	48,198	52,270	55,704	55,704	55,704	55,704	55,704	55,704

1.6.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a

minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 16, on page 32. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

1.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

1.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position.

1.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance

1.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

1.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

1.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

1.7 Expenditure on grants and reconciliations of unspent funds

Table 29 Expenditure on grant transfers and grant programmes

DETAILS	2014/15	2015/16	2016/17
R			
CAPITAL GRANTS			
Municipal Infrastructure Grant	17,289,000.00	18,090,000.00	18,721,000.00
INEP	10,000,000.00	10,000,000.00	10,000,000.00
NDPG	1,326,000.00	0.00	0.00
TOTAL CAPITAL GRANTS	28,615,000.00	28,090,000.00	28,721,000.00
OPERATING GRANTS			
Equitable Share	36,332,000.00	46,661,000.00	52,011,000.00
Councillor and Ward Committee Allowance	2,962,000.00	3,074,000.00	
Finance management Grant	1,600,000.00	1,650,000.00	1,700,000.00
Municipal Systems Infrastructure Grant	934,000.00	967,000.00	1,018,000.00
Extended Public Works Programme	1,000,000.00	0.00	0.00
Community Participation in IDP	0.00	300,000.00	0.00
Community Library services	252,000.00	265,000.00	499,000.00
Museum	598,000.00	628,000.00	662,000.00
Provincialisation of libraries	1,950,000.00	2,072,000.00	2,182,000.00
Infrastructure sports facility	150000	0	0
TOTAL OPERATING GRANTS	45,778,000.00	55,617,000.00	58,072,000.00
ALLOCATIONS IN KIND			
INEP	20,751,000.00	21,524,000.00	26,500,000.00
NDPG	893,000.00	345,000.00	242,000.00
TOTAL CAPITAL FUNDED	21,644,000.00	21,869,000.00	26,742,000.00

2.8 Councillor and Employee Benefits

Table 30 MBRR Table SA22 – Summary of councilor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2010/11	2011/12	2012/13	rent Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		2,353	2,920	2,853	3,370	3,633	3,633	3,782	4,077	4,395
Pension and UIF Contributions		336	422	414	446	446	446	506	546	588
Medical Aid Contributions		12	-	-						
Motor Vehicle Allowance		805	1,129	1,104	1,199	1,199	1,199	1,354	1,460	1,574
Cellphone Allowance		167	220	230	253	253	253	265	286	308
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		3,673	4,691	4,601	5,268	5,531	5,531	5,908	6,369	6,866
% increase	4		27.7%	(1.9%)	14.5%	5.0%	-	6.8%	7.8%	7.8%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1,796	2,436	3,301	3,714	3,714	3,714	3,479	3,688	3,909
Pension and UIF Contributions		-	-	-	-	-	-	10	10	11
Medical Aid Contributions		-	-	-	-	-	-			
Overtime										
Performance Bonus		-	274	388	309	309	309			
Motor Vehicle Allowance	3	503	160	194	176	176	176	805	854	905
Cellphone Allowance	3									
Housing Allowances	3	-	-	-						
Other benefits and allowances	3	-	-	-						
Payments in lieu of leave										
Long service awards		-								
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		2,299	2,870	3,884	4,200	4,200	4,200	4,294	4,552	4,825
% increase	4		24.8%	35.3%	8.1%	-	-	2.2%	6.0%	6.0%
Other Municipal Staff										
Basic Salaries and Wages		32,815	35,103	38,424	38,847	38,847	38,847	40,227	42,818	45,577
Pension and UIF Contributions		5,859	5,328	5,822	6,041	6,041	6,041	7,183	7,643	8,132
Medical Aid Contributions		2,541	2,135	2,329	1,042	1,042	1,042	2,691	2,863	3,046
Overtime		1,477	1,837	1,747	2,082	2,082	2,082	2,185	2,325	2,474
Performance Bonus		3,181	2,947	3,493	3,341	3,341	3,341	332	353	375
Motor Vehicle Allowance	3	585	1,122	1,164	1,272	1,272	1,272	1,621	1,724	1,835
Cellphone Allowance	3	-	-	-	353	353	353	320	341	363
Housing Allowances	3	327	304	582	344	344	344	260	277	294
Other benefits and allowances	3	1,256	4,510	4,657	5,114	4,720	4,720	5,586	5,943	6,324
Payments in lieu of leave								3,239	3,446	3,667
Long service awards								8	9	9
Post-retirement benefit obligations	6				1,378	1,378	1,378			
Sub Total - Other Municipal Staff		48,041	53,286	58,218	59,815	59,420	59,420	63,652	67,742	72,096
% increase	4		10.9%	9.3%	2.7%	(0.7%)	-	7.1%	6.4%	6.4%
Total Parent Municipality		54,013	60,847	66,703	69,283	69,151	69,151	73,854	78,663	83,786
			12.7%	9.6%	3.9%	(0.2%)	-	6.8%	6.5%	6.5%
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		54,013	60,847	66,703	69,283	69,151	69,151	73,854	78,663	83,786
% increase	4		12.7%	9.6%	3.9%	(0.2%)	-	6.8%	6.5%	6.5%
TOTAL MANAGERS AND STAFF	5,7	50,340	56,156	62,101	64,015	63,620	63,620	67,946	72,294	76,921

2.9 Monthly targets for revenue, expenditure and cash flow

Consolidated Monthly revenue and expenditure

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source																
Property rates		4,517	4,517	4,517	4,517	4,517	4,517	4,517	4,517	4,517	4,517	4,517	4,517	54,206	57,459	60,906
Property rates - penalties & collection charges		517	517	517	517	517	517	517	517	517	517	517	516	6,198	6,570	6,964
Service charges - electricity revenue		21,450	20,870	13,200	13,200	13,200	13,200	10,500	10,500	10,500	17,350	23,450	21,517	188,937	202,730	217,529
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		623	623	623	623	623	623	623	623	623	623	623	623	7,478	7,926	8,402
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		41	41	41	41	41	41	41	41	41	41	41	41	490	519	550
Interest earned - external investments		184	184	184	184	184	184	184	184	184	184	184	185	2,211	2,344	2,484
Interest earned - outstanding debtors		159	159	159	159	159	159	159	159	159	159	159	159	1,912	2,027	2,148
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		10	10	10	10	10	10	10	10	10	10	10	10	122	129	137
Licences and permits		453	453	453	453	453	453	453	453	453	453	453	454	5,440	5,767	6,113
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		19,582	-	-	-	13,098	-	-	-	13,098	-	-	-	45,778	55,317	58,072
Other revenue		304	304	304	304	304	304	304	304	304	304	304	304	3,649	3,868	4,100
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		47,841	27,679	20,009	20,009	33,107	20,009	17,309	17,309	30,407	24,159	30,259	28,326	316,421	344,654	367,405
Expenditure By Type																
Employee related costs		5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	67,946	72,294	76,921
Remuneration of councillors		492	492	492	492	492	492	492	492	492	492	492	492	5,908	6,369	6,866
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	-	8,533	9,028	9,552
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-	-	-	-	37,030	39,178	41,450
Finance charges		116	116	116	116	116	116	116	116	116	116	116	116	1,392	1,473	1,558
Bulk purchases		12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,416	12,415	148,988	160,996	173,973
Other materials		988	988	988	988	988	988	988	988	988	988	988	988	11,856	12,544	13,271
Contracted services		909	909	909	909	909	909	909	909	909	909	909	909	10,906	11,539	12,208
Transfers and grants		711	711	711	711	711	711	711	711	711	711	711	712	8,537	8,998	9,484
Other expenditure		2,938	2,938	2,938	2,938	2,938	2,938	2,938	2,938	2,938	2,938	2,938	1,779	34,093	35,934	37,874
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		24,232	24,232	24,232	24,232	24,232	24,232	24,232	24,232	24,232	24,232	24,232	24,232	68,637	335,189	358,156
Surplus/(Deficit)		23,609	3,447	(4,223)	(4,223)	8,875	(4,223)	(6,923)	(6,923)	6,175	(73)	6,027	(40,311)	(18,768)	(13,698)	(15,751)
Transfers recognised - capital		2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	28,615	28,090	28,721
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		25,993	5,831	(1,839)	(1,839)	11,259	(1,839)	(4,539)	(4,539)	8,559	2,311	8,411	(37,927)	9,847	14,392	12,970
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	25,993	5,831	(1,839)	(1,839)	11,259	(1,839)	(4,539)	(4,539)	8,559	2,311	8,411	(37,927)	9,847	14,392	12,970

MONTHLY REVENUE AND EXPENDITURE PER MUNICIPAL VOTES

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote																
Vote 1 - CORPORATE SERVICES		1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,033	12,406	13,248	14,202
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		8,635	8,635	8,635	8,635	8,635	8,635	8,635	8,635	8,635	8,635	8,635	8,636	103,624	110,659	118,627
Vote 4 - CIVIL SERVICES		1,501	1,501	1,501	1,501	1,501	1,501	1,501	1,501	1,501	1,501	1,501	1,500	18,006	19,228	20,613
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		644	644	644	644	644	644	644	644	644	644	644	644	7,724	8,248	8,842
Vote 6 - ELECTRICAL SERVICES		16,940	16,940	16,940	16,940	16,940	16,940	16,940	16,940	16,940	16,940	16,940	16,940	203,276	221,361	233,842
Total Revenue by Vote		28,753	28,753	28,753	28,753	28,753	28,753	28,753	28,753	28,753	28,753	28,753	28,753	345,036	372,744	396,126
Expenditure by Vote to be appropriated																
Vote 1 - CORPORATE SERVICES		3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	41,500	44,379	47,463
Vote 2 - MUNICIPAL MANAGER		126	126	126	126	126	126	126	126	126	126	126	127	1,513	1,618	1,731
Vote 3 - FINANCE DEPARTMENT		4,297	4,297	4,297	4,297	4,297	4,297	4,297	4,297	4,297	4,297	4,297	4,197	51,460	55,032	58,858
Vote 4 - CIVIL SERVICES		1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	22,964	24,557	26,264
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587	43,043	46,621	50,159
Vote 6 - ELECTRICAL SERVICES		14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559	174,709	184,143	194,681
Total Expenditure by Vote		27,941	27,941	27,941	27,941	27,941	27,941	27,941	27,941	27,941	27,941	27,941	27,941	335,189	358,352	383,156
Surplus/(Deficit) before assoc.		812	812	812	812	812	812	812	812	812	812	812	812	9,847	14,392	12,970
Surplus/(Deficit)	1	812	812	812	812	812	812	812	812	812	812	812	812	9,847	14,392	12,970

Consolidated budgeted Monthly revenue and Expenditure(Standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
Capital Expenditure - Standard	1																
Governance and administration		82	82	82	82	82	82	82	82	82	82	82	731	1,633	1,727	1,827	
Executive and council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Budget and treasury office		5	5	5	5	5	5	5	5	5	5	5	105	158	167	177	
Corporate services		77	77	77	77	77	77	77	77	77	77	77	627	1,475	1,560	1,651	
Community and public safety		284	284	284	284	284	284	284	284	284	284	284	284	3,406	3,604	3,813	
Community and social services		284	284	284	284	284	284	284	284	284	284	284	284	3,406	3,604	3,813	
Sport and recreation													-	-	-	-	
Public safety														-	-	-	
Housing														-	-	-	
Health														-	-	-	
Economic and environmental services		1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	18,061	19,108	20,217	
Planning and development														-	-	-	
Road transport		1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	18,061	19,108	20,217	
Environmental protection														-	-	-	
Trading services		1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	12,400	13,119	13,880	
Electricity		1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	12,400	13,119	13,880	
Water														-	-	-	
Waste water management														-	-	-	
Waste management														-	-	-	
Other														-	-	-	
Total Capital Expenditure - Standard	2	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	3,554	35,499	37,558	39,737	
Funded by:																	
National Government		9,538				9,538				9,538				100	28,715	30,380	32,143
Provincial Government														550	550	582	616
District Municipality														-	-	-	-
Other transfers and grants														-	-	-	-
Transfers recognised - capital		9,538	-	-	-	9,538	-	-	-	9,538	-	-	650	29,265	30,962	32,758	
Public contributions & donations														-	-	-	-
Borrowing		-												-	-	-	-
Internally generated funds		6,234												-	6,234	6,596	6,978
Total Capital Funding		15,773	-	-	-	9,538	-	-	-	9,538	-	-	650	35,499	37,558	39,737	

Consolidated monthly Capital Expenditure

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Single-year expenditure to be appropriated																
Vote 1 - CORPORATE SERVICES		77	77	77	77	77	77	77	77	77	77	77	627	1,475	1,560	1,651
Vote 2 - MUNICIPAL MANAGER														-	-	-
Vote 3 - FINANCE DEPARTMENT		5	5	5	5	5	5	5	5	5	5	5	105	158	167	177
Vote 4 - CIVIL SERVICES		1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	18,061	19,108	20,217
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		284	284	284	284	284	284	284	284	284	284	284	284	3,406	3,604	3,813
Vote 6 - ELECTRICAL SERVICES		1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	12,400	13,119	13,880
Capital single-year expenditure sub-total	2	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	35,499	37,558	39,737
Total Capital Expenditure	2	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	3,554	35,499	37,558	39,737

2.10 Annual budgets and SDBIPs

The service delivery and budget implementation plans have been drafted and are aligned to the IDP, Balanced Scorecard, Performance Agreements and Budget. This will be finalized by June 2014.

2.11 Contracts having future budgetary implications

There are no contracts having future budgetary implications.

2.12 Capital Expenditure Details

Table 36 Detailed capital budget per municipal vote

COUNCIL FUNDING	
<u>CORPORATE SERVICES</u>	
WASH BAY FOR WORKSHOP	50,000.00
CONCRETE PLALISADE FENCE TO STORES	500,000.00
HIGH PRESSURE HORSES X2	15,000.00
32000BTU TOWN HALL X6	0.00
32000BTU FORDERVILLE HALL X5	0.00
12 000BTU OFFICES X6	0.00
UPGRADE SEWER LINE CIVIC BUILDINGS	25,000.00
REVAMP KITCHEN (FORDERVILLE HALL)	0.00
REVAMP LADIES TOILETS (MAIN BUILDING)	0.00
TILING (FORDERVILLE HALL)	0.00
LAPTOP & PRINTER	0.00
OFFICE DESKS x7	30,000.00
STEEL CUPBOARDS X2	0.00
VISITORS CHAIRS FOR FOYER	10,000.00
FRANKING MACHINE	25,000.00
DIGICAM	0.00
ROAD MARKING MACHINE	60,000.00
4 FIRE ARMS (STUDENTS)	40,000.00
SECURITY GATE FOR PASSAGE	40,000.00
12BTU AIRCONDITIONER (EXAMINERS OFFICE)X2	0.00
AIRCONDITIONERS X3	0.00
WEATHER SHELTER(TRAFFIC)	10,000.00
VEHICLE PIT LIGHTING	2,500.00
CONTAINERS	0.00
RECARPETING	15,000.00
PORTABLE GENERATOR	0.00
UPGRADE OF VEHICLE POUND FACILITIES	0.00
REPLACE CURTAINS	0.00
STEEL SHELVING	0.00
BULLET PROOF VESTS	30,000.00
RE VAMP SERVER ROOM	0.00
BOARDROOM TABLE FOR MAYOR	6,000.00
LED MONITORS X5	5,000.00
STEEL CUPBOARDS X2	5,000.00

SWIVEL & TILT OFFICE CHAIR X1	1,000.00
COMPUTER AND SOFTWARE	0.00
SCREWDRIVER SET,PLIERS & LONG NOSE PLIERS	0.00
BLINDS FOR MAYORS PARLOUR	20,000.00
LAPTOPS FOR MAYORS PA'S X2	0.00
PHOTOCOPY MACHINE AND INTERNET CONNECTION	0.00
AIR CONDITIONER FOR MAYORS PARLOUR	20,000.00
CHAIRS FOR MAYORS PARLOUR	5,000.00
MAYORS BOARDROOM TABLE	10,000.00
REBURBRISHMENT OF FLOOR (MAIN BUILDING)	0.00
	924,500.00
<u>FINANCE DEPARTMENT</u>	
AIRCONDITIONER (MACHINE ROOM)	0.00
BLINDS	0.00
DESK AND CHAIRS	50,000.00
PRINTER	8,000.00
	58,000.00
<u>PECS</u>	
YOUTH CENTER	30,000.00
SEWER AND WATER RETICULATION FOR BULMAM	150,000.00
PAVING FOR THE WEMBEZI MULIPURPOSE	200,000.00
TRANSFER OF GRAIG FARM	200,000.00
FURNITURE & EQUIPMENT	50,000.00
FENCING FOR WEMBEZI FENCING	200,000.00
FENCING- MULTIPURPOSE	200,000.00
LIBRARIES CAPITAL	50,000.00
	2,080,000.00
<u>ELECTRICAL</u>	
CRANE TRUCK PURCHASE 20 TON	600,000.00
WESTERN PART CABLING BULK UPGRADE	0.00
REPLACE CIRCUIT BRAKERS	350,000.00
11 KV UPGRADE	600,000.00
STREET LIGHT	350,000.00
PROTECTION UPGRADE FOR SUBSTATION	100,000.00
REPLACE TRANSFORMER	0.00
UNDERTAKE STREET LIGHTS IMPROVEMENTS	0.00
SCADA SYSTEM	0.00
SUB STATION 13 UPGRADE	0.00
ELECTRICAL WORKSHOP WAREHOUSE BUILDING	0.00
PROTECTION UPGRADE FOR SUBSTATION	
TOOLS & EQUIPMENT	200,000.00

UNDER TAKE STREETLIGHT IMPROVEMENTS	200,000.00
	2,400,000.00
ROADS STREETS & DRAINS	
NEW BELL ENGINE	171,000.00
JACK HAMMER X3	68,400.00
TRAILER FOR SIT ON ROLLER	68,400.00
TRAILER FOR PEDESTRIAL ROLLER	57,000.00
CONCRETE MIXER	114,000.00
CONCRETE CURTER	91,200.00
DESK TOP COMPUTER X3	34,200.00
LAPTOP TOP X2	27,360.00
FAX MACHINE	3,420.00
GENERATOR X3	34,200.00
WASHING MACHINE FOR PLANT & EQUIP X2	45,600.00
DIESEL BOWER WITH HAND PUMP	57,000.00
	771,780.00

2.13 General Expenditure Details

Table 37 Break Down of General Expenses

BREAK DOWN OF GENERAL EXPENSES ON TABLE SA1	
RENT - PLANT & VEHICLES	308 779,42
STAFF TEAM BUILDING	5 290,00
SPORTS AND RECREATION	8 464,00
SPORT - KWANALOGA GAMES	52 900,00
SPORT PROGRAMME AND DEVELOPMENT	52 900,00
SKILLS DEVELOPMENT LEVY	643 313,73
SOFTWARE MAINTENANCE	765 652,38
SUBSISTENCE AND TRAVELLING	539 405,43
SUNDRIES	54 487,00
SPECIAL PROGRAMMES	42 320,00
SMME SUPPORT	42 320,00
STAFF - TEAM BUILDING	56 074,00
TELEPHONE	1 402 116,62
TRAINING(STAFF)	300 374,66
AMAKHOSI	52 900,00
REVIEW LED STRATEGY	52 900,00
TOWN PLANNING SHARED SERVICES GRANT	5 290,00
TOWN PLANNING AND SURVEYING EXPENSES	105 800,00
UNIFORMS AND PROTECTIVE CLOTHING	728 393,85
UPDATING ASSET REGISTER	423 200,00
WARD COMMITTEES	571 320,00
VALUATION ROLL EXPENSES	1 587 000,00
YOUTH DEVELOPMENT	650 000,00
CLEANING MATERIAL	63 480,00
BHAYLA PROPERTY	433 080,00
	8 947 761,09

2.12 Legislative compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. .

3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/15 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format has been completed by municipal staff.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.13 Other Supporting Documentation

Table 38 MBRR Table SA1 – Supporting detail to budgeted financial performance

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	33,738	35,131	38,106	43,102	48,103	48,103	48,103	54,206	57,459	60,906
Property rates - penalties & collection charges		6,239	5,262	5,598	5,847	5,847	1,367	1,367	6,198	6,570	6,964
Service charges - electricity revenue	2	121,165	141,629	158,001	179,083	176,083	183,154	183,154	188,937	202,730	217,529
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	5,348	5,788	5,353	7,054	7,054	3,257	3,257	7,478	7,926	8,402
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		408	435	387	233	309	462	462	490	519	550
Interest earned - external investments		-	-	-	500	733	550	550	2,211	2,344	2,484
Interest earned - outstanding debtors		1,069	1,729	2,261	277	380	1,804	1,804	1,912	2,027	2,148
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		201	196	46	316	267	115	115	122	129	137
Licences and permits		4,239	4,687	4,705	5,132	5,814	4,655	4,655	5,440	5,767	6,113
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		24,727	30,694	36,202	39,040	39,322	40,015	40,015	45,778	55,317	58,072
Other revenue	2	2,469	3,588	2,833	2,928	3,942	3,099	3,099	3,649	3,868	4,100
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		199,604	229,140	253,494	283,514	287,854	286,581	286,581	316,421	344,654	367,405
Expenditure By Type											
Employee related costs	2	50,789	56,391	62,101	64,015	64,019	64,019	64,019	67,946	72,294	76,921
Remuneration of councillors		3,673	4,360	4,601	5,268	5,742	4,636	4,636	5,908	6,369	6,866
Debt impairment	3	2,789	12,882	6,460	12,000	12,000	12,000	12,000	8,533	9,028	9,552
Depreciation & asset impairment	2	38,677	32,732	31,515	35,000	35,000	35,000	35,000	37,030	39,178	41,450
Finance charges		1,012	953	814	3,494	3,494	2,945	2,945	1,392	1,473	1,558
Bulk purchases	2	92,582	113,864	129,227	139,875	137,875	142,816	142,816	148,988	160,996	173,973
Other materials	8	3,142	8,152	8,961	11,428	11,429	7,933	7,933	11,856	12,544	13,271
Contracted services		2,987	3,997	11,223	8,800	10,300	10,287	10,287	10,906	11,539	12,208
Transfers and grants		21,569	25,843	1,165	7,069	7,069	7,069	7,069	8,537	8,998	9,484
Other expenditure	4, 5	19,473	23,701	27,590	26,977	34,046	34,046	34,046	34,093	35,934	37,874
Loss on disposal of PPE		33	2	845	-	-	-	-	-	-	-
Total Expenditure		236,726	282,878	284,502	313,926	320,974	320,750	320,750	335,189	358,352	383,156
Surplus/(Deficit)		(37,122)	(53,739)	(31,008)	(30,412)	(33,119)	(34,169)	(34,169)	(18,768)	(13,698)	(15,751)
Transfers recognised - capital		20,321	15,811	30,691	23,161	41,086	41,086	41,086	28,615	28,090	28,721
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(16,801)	(37,927)	(317)	(7,251)	7,967	6,917	6,917	9,847	14,392	12,970

Table 35 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2010/11	2011/12	2012/13	Fiscal Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS											
Current assets											
Cash		9,942	13,366	13,523	15,482	1,565	14,210	14,210	1,409	1,491	1,577
Call investment deposits	1	5,599	22,347	27,503	1,200	420	15,394	15,394	29,205	30,957	32,815
Consumer debtors	1	45,501	36,235	43,112	47,929	47,929	47,929	47,929	49,868	95,927	101,491
Other debtors		8,781	12,833	13,588	305	305	7,222	7,222	17,277	18,279	19,339
Current portion of long-term receivables		222	184	555	-	-	-	-	-	-	-
Inventory	2	534	550	1,488	371	1,488	1,488	1,488	1,574	1,666	1,762
Total current assets		70,580	85,516	99,768	65,287	51,707	86,243	86,243	99,333	148,320	156,984
Non current assets											
Long-term receivables		1,421	722	555	450	450	450	450	584	618	654
Investments		98	98	103	96	96	96	96	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	637,711	629,613	621,290	659,140	659,140	659,140	659,140	612,662	648,196	685,792
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		170	186	438	-	-	-	-	-	-	-
Other non-current assets		2,281	1,228	8,245	-	-	-	-	-	-	-
Total non current assets		641,681	631,847	630,631	659,686	659,686	659,686	659,686	613,246	648,815	686,446
TOTAL ASSETS		712,261	717,363	730,399	724,973	711,393	745,929	745,929	712,579	797,134	843,430
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	1,764	1,825	534	8,615	8,615	8,615	8,615	1,329	1,406	1,487
Consumer deposits		2,398	2,620	2,845	2,650	2,650	2,650	2,650	3,036	3,212	3,398
Trade and other payables	4	23,683	36,460	47,976	27,596	14,016	14,016	14,016	41,278	15,689	16,599
Provisions		9,557	8,500	7,249	10,605	10,605	10,605	10,605	17,923	18,962	20,062
Total current liabilities		37,402	49,405	58,603	49,466	35,886	35,886	35,886	63,565	39,269	41,547
Non current liabilities											
Borrowing		8,135	12,350	9,974	30,797	30,797	30,797	30,797	7,643	8,086	8,617
Provisions		10,362	11,641	15,122	-	-	-	-	17,923	-	-
Total non current liabilities		18,497	23,991	25,096	30,797	30,797	30,797	30,797	25,566	8,086	8,617
TOTAL LIABILITIES		55,899	73,396	83,699	80,263	66,683	66,683	66,683	89,131	47,355	50,164
NET ASSETS	5	656,362	643,966	646,700	644,710	644,710	679,246	679,246	623,448	749,779	793,266
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		655,267	642,871	645,605	643,615	643,615	678,151	678,151	622,353	748,620	792,040
Reserves	4	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,159	1,226
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	656,362	643,966	646,700	644,710	644,710	679,246	679,246	623,448	749,779	793,266

2.14 Municipal manager's quality certificate

I, Ms PN Njoko, Municipal Manager of Umtshezi Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Umtshezi Municipality (KZN234)

Signature _____

Date _____